



# San Diego Facilities & Equipment Leasing Corporation

## **Annual Financial Report**

Fiscal Year Ended / June 30, 2002

# **SAN DIEGO FACILITIES AND EQUIPMENT LEASING CORPORATION ANNUAL FINANCIAL REPORT**

## **SAN DIEGO FACILITIES AND EQUIPMENT LEASING CORPORATION**

### **ANNUAL FINANCIAL REPORT**

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**SAN DIEGO FACILITIES AND EQUIPMENT LEASING CORPORATION**  
**ROSTER OF OFFICIALS**

**BOARD OF DIRECTORS**

Michael T. Uberuaga

Casey Gwinn

Ed Ryan

**CORPORATION OFFICERS**

Ex-Officio President	Michael T. Uberuaga
Ex-Officio Vice President	Casey Gwinn
Ex-Officio Secretary/Treasurer	Ed Ryan



## THE CITY OF SAN DIEGO

November 27, 2002

Honorable Mayor,  
City Council, and City Manager  
City of San Diego, California

This Annual Financial Report covers financial activities of the San Diego Facilities and Equipment Leasing Corporation for the fiscal year ended June 30, 2002.

The covenants entered into by the City of San Diego on behalf of the Facilities and Equipment Leasing Corporation, relating to the outstanding general obligation bonds issued, have been complied with in all respects.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Ryan".

Ed Ryan  
Ex-Officio Secretary/Treasurer

## FINANCIAL SECTION



# CALDERON, JAHAM & OSBORN

AN ACCOUNTANCY CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

www.cjo.com

## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
San Diego Facilities and Equipment  
Leasing Corporation  
San Diego, California

We have audited the accompanying component unit financial statements of the San Diego Facilities and Equipment Leasing Corporation (the "Corporation") as of and for the year ended June 30, 2002, as listed in the foregoing table of contents. These component unit financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these component unit financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall component unit financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such component unit financial statements present fairly, in all material respects, the financial position of the Corporation as of June 30, 2002 and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2002 on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in accordance with this report in considering the results of our audit.

As described in Note 2 to the basic financial statements, the Corporation adopted Statements of the Governmental Accounting Standards Board No. 34, Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments; No.37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and No. 38, Certain Financial Statement Note Disclosures.

The scope of our audit did not include the supplemental information listed in the foregoing table of contents. Such information has not been subjected to the auditing procedures applied in the audit of the component unit financial statements and, accordingly, we express no opinion on it.

November 27, 2002

*Calderon, Jaham & Osborn*

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the San Diego Facilities and Equipment Leasing Corporation (Corporation), we offer readers of the Corporate financial statements this narrative overview and analysis of the financial activities of the Corporation for the fiscal year ended June 30, 2002. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our Letter of Transmittal, which can be found on page VII of this report.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements. The Corporation's basic financial statements are comprised of three components: (1) Government-Wide Financial Statements, (2) Fund Financial Statements, and (3) Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements.** The Government-Wide Financial Statements are designed to provide readers with a broad overview of the Corporation's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Corporation's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating.

The Statement of Activities presents information showing changes in the Corporation's net assets during the most recent fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Both of the Government-Wide Financial Statements distinguish functions of the Corporation that are principally supported by intergovernmental revenues (governmental activities). The governmental activities of the Corporation include Interest on Long-Term Debt and Arbitrage Rebate. The Corporation does not engage in business-type activities.

The government-wide financial statements exclusively present the Corporation with no legally separate, discretely presented component units. The government-wide financial statements can be found on pages 8 through 11 of this report.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Corporation uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the Corporation are combined into the governmental funds category.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing

## **SAN DIEGO FACILITIES AND EQUIPMENT LEASING CORPORATION ANNUAL FINANCIAL REPORT**

decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances are reconciled within the government-wide statements to provide a comparison between governmental funds and governmental activities.

The Corporation maintains individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the Improvement (general) Fund and Bond (debt service) Fund, which are considered to be Major Funds.

The basic governmental fund financial statements can be found on pages 12-20 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-28 of this report.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Since this is the first year of implementing and presenting government-wide financial statements, prior year comparisons will begin next fiscal year. For the current fiscal year, amounts will be presented for fiscal year 2002.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Corporation, assets exceeded liabilities by \$4,813,925 at the close of the most recent fiscal year.

All of the Corporation's net assets (100 percent) represent resources that are subject to external restrictions on how they may be used, 99 percent represents resources for the payment of the Corporation's debt service and 1 percent is restricted for capital asset acquisition.

### **SAN DIEGO FACILITIES AND EQUIPMENT LEASING CORPORATION'S NET ASSETS**

	Governmental Activities 2002
Current and other assets	<u>\$452,123,460</u>
Total Assets	452,123,460
Current and Other Liabilities	13,839,535
Long-Term Debt Due within One Year	10,775,000
Certificates of Participation Bonds Payable	51,530,000
Water Utility Bonds	<u>371,165,000</u>
Total Liabilities	447,309,535
Net Assets:	
Restricted for Debt Service	4,795,133
Restricted for Capital Projects	<u>18,792</u>
Total Net Assets	<u>\$ 4,813,925</u>

**Governmental Activities.** Governmental activities decreased the Corporation's net assets by \$(2,168,151), thereby accounting for 100% of the total reduction in the net assets of the Corporation. Key elements of this decrease are as follows:



# **SAN DIEGO FACILITIES AND EQUIPMENT LEASING CORPORATION ANNUAL FINANCIAL REPORT**

## **SAN DIEGO FACILITIES AND EQUIPMENT LEASING CORPORATION'S CHANGES IN NET ASSETS**

	Governmental Activities 2002
Revenues:	
Revenues from Use of Money	\$ 1,864,045
Lease Revenue	3,136,028
Installment Purchase Payments from the City of San Diego	<u>15,036,811</u>
Total Revenues	<u>20,036,884</u>
Expenses:	
General Government	711,982
Interest on Long-Term Debt	<u>21,493,053</u>
Total Expenses	<u>22,205,035</u>
Decrease in Net Assets	(2,168,151)
Net Assets – July 1, 2001	<u>6,982,076</u>
Net Assets – June 30, 2002	<u>\$ 4,813,925</u>

## **FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As noted earlier, the Corporation uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the Corporation's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Corporation's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Corporation's governmental funds reported combined ending fund balances of \$32,178,736, a decrease of (\$88,857,821) in comparison with prior year. This decrease is primarily attributed to the construction expenditures incurred for the capital improvements to the City's waster system. The majority of fund balance (\$32,027,053) is reserved to indicate that it is not available for new spending because it has been committed to pay debt service.

**Long-Term Debt.** At the end of the current fiscal year, the Corporation had total debt outstanding of \$433,470,000. The Corporation's debt represents bonds secured by contributions from the City and Water Utility revenues.

## **SAN DIEGO FACILITIES AND EQUIPMENT LEASING CORPORATION OUTSTANDING DEBT**

	Governmental Activities 2002
Certificates of Participation	\$ 55,250,000
Certificates of Undivided Interest	<u>378,220,000</u>
	<u>\$ 433,470,000</u>

Additional information on Corporation's Long Term Debt can be found in note 6 on pages 27-28 of this report.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Corporation's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Auditor & Comptroller, 202 C Street, City of San Diego, California 92101 or e-mailed to the City Auditor & Comptroller at [auditor@sandiego.gov](mailto:auditor@sandiego.gov).

# SAN DIEGO FACILITIES AND EQUIPMENT LEASING CORPORATION ANNUAL FINANCIAL REPORT

## STATEMENT OF NET ASSETS

June 30, 2002

	Bond (Debt Service) Fund		Improvement (General) Fund
	Series 1996A 1C Certificates of Participation	Series 1998 Certificates of Undivided Interest	1998 Acquisition
<b>ASSETS AND OTHER DEBITS</b>			
Cash or Equity in Pooled Cash and Investments .....	\$ -	\$ -	\$ 5,644,156
Cash with Custodian/Fiscal Agent .....	-	-	-
Investments at Fair Value .....	141	29,052,663	-
Accrued Rebate Fund Receivable.....	-	983,595	-
Leases Receivable .....	-	-	-
Lease Interest Receivable.....	-	-	-
Installment Purchase Agreement Receivable .....	-	-	-
Installment Purchase Agreement Interest Receivable.....	-	-	-
Accrued Interest Receivable .....	-	-	11,458
<b>TOTAL ASSETS AND OTHER DEBITS.....</b>	<b>\$ 141</b>	<b>\$ 30,036,258</b>	<b>\$ 5,655,614</b>
<b>LIABILITIES</b>			
Interest Payable .....	\$ -	\$ -	\$ -
Due to Water Fund .....	-	-	4,672,019
Advances to Other Funds.....	-	-	983,595
Long-Term Debt Due within One Year .....	-	-	-
Certificates of Participation Bonds Payable .....	-	-	-
Water Utility Bonds .....	-	-	-
<b>TOTAL LIABILITIES .....</b>	<b>-</b>	<b>-</b>	<b>5,655,614</b>
<b>FUND EQUITY</b>			
Fund Balances:			
Reserved for Debt Service .....	141	30,036,258	-
Unreserved:			
Designated for Unrealized Gains .....	-	-	-
Designated for Subsequent Years' Expenditures .....	-	-	-
<b>TOTAL FUND EQUITY .....</b>	<b>141</b>	<b>30,036,258</b>	<b>-</b>
<b>TOTAL LIABILITIES AND FUND EQUITY .....</b>	<b>\$ 141</b>	<b>\$ 30,036,258</b>	<b>\$ 5,655,614</b>

See Notes to Financial Statements

# SAN DIEGO FACILITIES AND EQUIPMENT LEASING CORPORATION ANNUAL FINANCIAL REPORT

Other Governmental Funds	Total Governmental Funds	Adjustments	Statement of Net Assets
\$ 2,250	\$ 5,646,406	\$ -	\$ 5,646,406
3,270	3,270	-	3,270
2,136,817	31,189,621	-	31,189,621
-	983,595	-	983,595
-	-	53,259,625	53,259,625
-	-	492,948	492,948
-	-	352,845,564	352,845,564
-	-	7,690,973	7,690,973
-	11,458	-	11,458
<u>\$ 2,142,337</u>	<u>\$ 37,834,350</u>	<u>\$ 414,289,110</u>	<u>\$ 452,123,460</u>
\$ -	\$ -	\$ 8,183,921	\$ 8,183,921
-	4,672,019	-	4,672,019
-	983,595	-	983,595
-	-	10,775,000	10,775,000
-	-	51,530,000	51,530,000
-	-	371,165,000	371,165,000
-	5,655,614	441,653,921	447,309,535
1,990,654	32,027,053	(32,027,053)	-
132,891	132,891	(132,891)	-
18,792	18,792	(18,792)	-
<u>2,142,337</u>	<u>32,178,736</u>	<u>(32,178,736)</u>	-
<u>\$ 2,142,337</u>	<u>\$ 37,834,350</u>		
Net Assets:			
Restricted for Debt Service		4,795,133	4,795,133
Restricted for Capital Projects		18,792	18,792
TOTAL NET ASSETS	\$	<u>4,813,925</u>	<u>\$ 4,813,925</u>

# SAN DIEGO FACILITIES AND EQUIPMENT LEASING CORPORATION ANNUAL FINANCIAL REPORT

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2002

	Bond (Debt Service) Fund		Improvement (General) Fund
	Series 1996A 1C Certificates of Participation	Series 1998 Certificates of Undivided Interest	1998 Acquisition
<b>REVENUES</b>			
Earnings on Investments .....	\$ 9,855	\$ 1,417,667	\$ 294,335
Lease Revenue.....	3,556,587	-	-
Installment Purchase Payments from the City of San Diego .....	-	21,929,811	-
<b>TOTAL REVENUES</b> .....	<b>3,566,442</b>	<b>23,347,478</b>	<b>294,335</b>
<b>EXPENDITURES</b>			
General Government.....	681,037	-	-
Capital Projects .....	-	-	86,689,590
Debt Service:			
Principal Retirement .....	1,965,000	6,780,000	-
Interest .....	1,359,646	18,593,936	-
<b>TOTAL EXPENDITURES</b> .....	<b>4,005,683</b>	<b>25,373,936</b>	<b>86,689,590</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b> .....	<b>(439,241)</b>	<b>(2,026,458)</b>	<b>(86,395,255)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from Other Funds .....	-	3,554,858	-
Transfers to Other Funds .....	-	(2,571,263)	(983,595)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....	<b>-</b>	<b>983,595</b>	<b>(983,595)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b> .....	<b>(439,241)</b>	<b>(1,042,863)</b>	<b>(87,378,850)</b>
Fund Balances, Beginning of Year .....	439,382	31,079,121	87,378,850
<b>FUND BALANCES, END OF YEAR</b> .....	<b>\$ 141</b>	<b>\$ 30,036,258</b>	<b>\$ -</b>

See Notes to Financial Statements

# SAN DIEGO FACILITIES AND EQUIPMENT LEASING CORPORATION ANNUAL FINANCIAL REPORT

Other Governmental Funds	Total Governmental Funds	Adjustments	Statement of Net Activities
\$ 142,188	\$ 1,864,045	\$ -	\$ 1,864,045
3,091,655	6,648,242	(3,512,214)	3,136,028
-	21,929,811	(6,893,000)	15,036,811
<u>3,233,843</u>	<u>30,442,098</u>	<u>(10,405,214)</u>	<u>20,036,884</u>
30,945	711,982	-	711,982
80	86,689,670	(86,689,670)	
1,520,000	10,265,000	(10,265,000)	-
<u>1,679,685</u>	<u>21,633,267</u>	<u>(140,214)</u>	<u>21,493,053</u>
<u>3,230,710</u>	<u>119,299,919</u>	<u>(97,094,884)</u>	<u>22,205,035</u>
<u>3,133</u>	<u>(88,857,821)</u>	<u>86,689,670</u>	<u>(2,168,151)</u>
115,630	3,670,488	-	3,670,488
<u>(115,630)</u>	<u>(3,670,488)</u>	<u>-</u>	<u>(3,670,488)</u>
-	-	-	-
3,133	(88,857,821)	86,689,670	(2,168,151)
2,139,204	121,036,557	(114,054,481)	6,982,076
<u>\$ 2,142,337</u>	<u>\$ 32,178,736</u>	<u>\$ -</u>	<u>\$ 4,813,925</u>

# SAN DIEGO FACILITIES AND EQUIPMENT LEASING CORPORATION ANNUAL FINANCIAL REPORT

## COMBINED BALANCE SHEET ALL FUNDS June 30, 2002

	Governmental Fund Types			
	Bond (Debt Service) Fund			
	Series 1993 1B Certificates of Participation		Series 1996A 1C Certificates of Participation	
	Reserve	Lease Payment	Lease Payment	Rebate
<b>ASSETS AND OTHER DEBITS</b>				
Cash or Equity in Pooled Cash and Investments .....	\$ -	\$ -	\$ -	\$ -
Cash with Custodian/Fiscal Agent .....	-	-	-	-
Investments at Fair Value .....	2,123,266	216	141	-
Due From Other Funds .....	-	-	-	-
Lease Payments Receivable .....	-	-	-	-
Installment Purchase Agreement Receivable .....	-	-	-	-
Accrued Interest Receivable .....	-	-	-	-
<b>TOTAL ASSETS AND OTHER DEBITS .....</b>	<b>\$ 2,123,266</b>	<b>\$ 216</b>	<b>\$ 141</b>	<b>\$ -</b>
<b>LIABILITIES</b>				
Due to Water Fund .....	\$ -	\$ -	\$ -	\$ -
Due to Other Funds .....	-	-	-	-
Certificates of Participation Bonds Payable .....	-	-	-	-
Water Utility Bonds .....	-	-	-	-
<b>TOTAL LIABILITIES .....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND EQUITY</b>				
Fund Balances:				
Reserved for Debt Service .....	1,990,375	216	141	-
Unreserved:				
Designated for Unrealized Gains .....	132,891	-	-	-
Designated for Subsequent Years' Expenditures .....	-	-	-	-
<b>TOTAL FUND EQUITY .....</b>	<b>2,123,266</b>	<b>216</b>	<b>141</b>	<b>-</b>
<b>TOTAL LIABILITIES AND FUND EQUITY .....</b>	<b>\$ 2,123,266</b>	<b>\$ 216</b>	<b>\$ 141</b>	<b>\$ -</b>

See Notes to Financial Statements

# SAN DIEGO FACILITIES AND EQUIPMENT LEASING CORPORATION ANNUAL FINANCIAL REPORT

Governmental Fund Types					
Bond (Debt Service) Fund					
Series 1996B 1A Refunding Certificates of Participation		Series 1998 Certificates of Undivided Interest			Total Bond (Debt Service) Fund
Lease Payment	Rebate	Reserve	Redemption	Rebate	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
63	-	26,005,017	1,317,456	1,730,190	31,176,349
-	-	-	-	983,595	983,595
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>63</u>	<u>-</u>	<u>26,005,017</u>	<u>1,317,456</u>	<u>2,713,785</u>	<u>32,159,944</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>63</u>	<u>-</u>	<u>26,005,017</u>	<u>1,317,456</u>	<u>2,713,785</u>	<u>32,027,053</u>
-	-	-	-	-	132,891
-	-	-	-	-	-
<u>63</u>	<u>-</u>	<u>26,005,017</u>	<u>1,317,456</u>	<u>2,713,785</u>	<u>32,159,944</u>
\$ <u>63</u>	\$ <u>-</u>	\$ <u>26,005,017</u>	\$ <u>1,317,456</u>	\$ <u>2,713,785</u>	\$ <u>32,159,944</u>

Continued on next page



# SAN DIEGO FACILITIES AND EQUIPMENT LEASING CORPORATION ANNUAL FINANCIAL REPORT

## COMBINED BALANCE SHEET ALL FUNDS June 30, 2002

	Governmental Fund Types			
	Improvement (General) Fund			
	1993 1B Construction Fund	1996A 1C Construction Fund	1996B 1A Refunding Construction Fund	1998 Acquisition Fund
<b>ASSETS AND OTHER DEBITS</b>				
Cash or Equity in Pooled Cash and Investments .....	\$ 2,250	\$ -	\$ -	\$ 5,644,156
Cash with Custodian/Fiscal Agent .....	-	-	3,270	-
Investments at Fair Value .....	-	13,272	-	-
Due From Other Funds .....	-	-	-	-
Lease Payments Receivable .....	-	-	-	-
Installment Purchase Agreement Receivable .....	-	-	-	-
Accrued Interest Receivable .....	-	-	-	11,458
<b>TOTAL ASSETS AND OTHER DEBITS .....</b>	<b>\$ 2,250</b>	<b>\$ 13,272</b>	<b>\$ 3,270</b>	<b>\$ 5,655,614</b>
<b>LIABILITIES</b>				
Due to Water Fund .....	\$ -	\$ -	\$ -	\$ 4,672,019
Due to Other Funds .....	-	-	-	983,595
Certificates of Participation Bonds Payable .....	-	-	-	-
Water Utility Bonds .....	-	-	-	-
<b>TOTAL LIABILITIES .....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,655,614</b>
<b>FUND EQUITY</b>				
<b>Fund Balances:</b>				
Reserved for Debt Service .....	-	-	-	-
<b>Unreserved:</b>				
Designated for Unrealized Gains .....	-	-	-	-
Designated for Subsequent Years' Expenditures .....	2,250	13,272	3,270	-
<b>TOTAL FUND EQUITY .....</b>	<b>2,250</b>	<b>13,272</b>	<b>3,270</b>	<b>-</b>
<b>TOTAL LIABILITIES AND FUND EQUITY .....</b>	<b>\$ 2,250</b>	<b>\$ 13,272</b>	<b>\$ 3,270</b>	<b>\$ 5,655,614</b>

Continued on next page

# SAN DIEGO FACILITIES AND EQUIPMENT LEASING CORPORATION ANNUAL FINANCIAL REPORT

Governmental Fund Types	
Improvement (General) Fund	
Total Improvement (General) Fund	Total (Memorandum Only)
\$ 5,646,406	\$ 5,646,406
3,270	3,270
13,272	31,189,621
-	983,595
-	-
-	-
11,458	11,458
\$ <u>5,674,406</u>	\$ <u>37,834,350</u>
\$ 4,672,019	\$ 4,672,019
983,595	983,595
-	-
-	-
5,655,614	5,655,614
-	32,027,053
-	132,891
18,792	18,792
18,792	32,178,736
\$ <u>5,674,406</u>	\$ <u>37,834,350</u>

See Notes to Financial Statements

# SAN DIEGO FACILITIES AND EQUIPMENT LEASING CORPORATION ANNUAL FINANCIAL REPORT

## COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES ALL FUNDS Year Ended June 30, 2002

	Bond (Debt Service) Fund			
	Series 1993 1B Certificates of Participation		Series 1996A 1C Certificates of Participation	
	Reserve	Lease Payment	Lease Payment	Rebate
REVENUES				
Earnings on Investments .....	\$ 139,875	\$ 915	\$ 1,429	\$ 8,426
Lease Revenue.....	-	2,202,688	3,322,899	233,688
Installment Purchase Payments from the City of San Diego .....	-	-	-	-
TOTAL REVENUES .....	139,875	2,203,603	3,324,328	242,114
EXPENDITURES				
General Government .....	-	-	-	681,037
Debt Service:				
Principal Retirement .....	-	1,240,000	1,965,000	-
Interest .....	-	1,079,375	1,359,646	-
TOTAL EXPENDITURES .....	-	2,319,375	3,324,646	681,037
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES .....	139,875	(115,772)	(318)	(438,923)
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds .....	-	115,630	-	-
Transfers to Other Funds .....	(115,630)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES) .....	(115,630)	115,630	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES .....	24,245	(142)	(318)	(438,923)
Fund Balances, Beginning of Year .....	2,099,021	358	459	438,923
FUND BALANCES, END OF YEAR .....	\$ 2,123,266	\$ 216	\$ 141	\$ -

See Notes to Financial Statements

# SAN DIEGO FACILITIES AND EQUIPMENT LEASING CORPORATION ANNUAL FINANCIAL REPORT

Bond (Debt Service) Fund					
Series 1996B 1A Refunding Certificates of Participation		Series 1998 Certificates of Undivided Interest			Total (Debt Service) Fund
Lease Payment	Rebate	Reserve	Redemption	Rebate	
\$ 344	\$ 498	\$ 1,328,104	\$ 63,587	\$ 25,976	\$ 1,569,154
879,831	9,086	-	-	-	6,648,192
			21,929,811		21,929,811
880,175	9,584	1,328,104	21,993,398	25,976	30,147,157
-	30,945	-	-	-	711,982
280,000	-	-	6,780,000	-	10,265,000
600,310	-	-	18,593,936	-	21,633,267
880,310	30,945	-	25,373,936	-	32,610,249
(135)	(21,361)	1,328,104	(3,380,538)	25,976	(2,463,092)
-	-	642,392	1,928,871	983,595	3,670,488
-	-	(1,928,871)	(642,392)	-	(2,686,893)
-	-	(1,286,479)	1,286,479	983,595	983,595
(135)	(21,361)	41,625	(2,094,059)	1,009,571	(1,479,497)
198	21,361	25,963,392	3,411,515	1,704,214	33,639,441
\$ 63	\$ -	\$ 26,005,017	\$ 1,317,456	\$ 2,713,785	\$ 32,159,944

Continued on next page

# SAN DIEGO FACILITIES AND EQUIPMENT LEASING CORPORATION ANNUAL FINANCIAL REPORT

## COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES ALL FUNDS Year Ended June 30, 2002

	Improvement (General) Fund					
	1993 1B Fund	1996A 1C Fund	1996B 1A Refunding Fund	1998 Acquisition Fund	Total Improvement (General) Fund	Total (Memorandum Only)
<b>REVENUES</b>						
Earnings on Investments .....	\$ -	\$ 303	\$ 253	\$ 294,335	\$ 294,891	\$ 1,864,045
Lease Revenue.....	-	-	50	-	50	6,648,242
Installment Purchase Payments from the City of San Diego .....	-	-	-	-	-	21,929,811
<b>TOTAL REVENUES .....</b>	<b>-</b>	<b>303</b>	<b>303</b>	<b>294,335</b>	<b>294,941</b>	<b>30,442,098</b>
<b>EXPENDITURES</b>						
Capital Projects .....	-	-	80	86,689,590	86,689,670	87,401,652
Debt Service:						
Principal Retirement .....	-	-	-	-	-	10,265,000
Interest .....	-	-	-	-	-	21,633,267
<b>TOTAL EXPENDITURES .....</b>	<b>-</b>	<b>-</b>	<b>80</b>	<b>86,689,590</b>	<b>86,689,670</b>	<b>119,299,919</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES .....</b>	<b>-</b>	<b>303</b>	<b>223</b>	<b>(86,395,255)</b>	<b>(86,394,729)</b>	<b>(88,857,821)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers from Other Funds .....	-	-	-	-	-	3,670,488
Transfers to Other Funds .....	-	-	-	(983,595)	(983,595)	(3,670,488)
<b>TOTAL OTHER FINANCING SOURCES (USES) .....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(983,595)</b>	<b>(983,595)</b>	<b>-</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES .....</b>	<b>-</b>	<b>303</b>	<b>223</b>	<b>(87,378,850)</b>	<b>(87,378,324)</b>	<b>(88,857,821)</b>
Fund Balances, Beginning of Year .....	2,250	12,969	3,047	87,378,850	87,397,116	121,036,557
<b>FUND BALANCES, END OF YEAR .....</b>	<b>\$ 2,250</b>	<b>\$ 13,272</b>	<b>\$ 3,270</b>	<b>\$ -</b>	<b>\$ 18,792</b>	<b>\$ 32,178,736</b>

See Notes to Financial Statements

# SAN DIEGO FACILITIES AND EQUIPMENT LEASING CORPORATION ANNUAL FINANCIAL REPORT

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL (BUDGETARY BASIS) - BOND (DEBT SERVICE) FUND Year Ended June 30, 2002

	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Budget	Variance - Favorable (Unfavorable)
REVENUES					
Earnings on Investments .....	\$ 1,569,154	\$ 531,711	\$ 2,100,865	\$ 2,100,865	\$ -
Lease Revenue.....	6,648,192	-	6,648,192	6,648,192	-
Installment Purchase Payments from the City of San Diego .....	21,929,811	-	21,929,811	21,929,811	-
TOTAL REVENUES .....	<u>30,147,157</u>	<u>531,711</u>	<u>30,678,868</u>	<u>30,678,868</u>	<u>-</u>
EXPENDITURES					
General Government .....	711,982	-	711,982	711,982	-
Debt Services:					
Principal Retirement .....	10,265,000	-	10,265,000	10,265,000	-
Interest .....	21,633,267	-	21,633,267	21,633,267	-
TOTAL EXPENDITURES .....	<u>32,610,249</u>	<u>-</u>	<u>32,610,249</u>	<u>32,610,249</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES .....	<u>(2,463,092)</u>	<u>531,711</u>	<u>(1,931,381)</u>	<u>(1,931,381)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)					
Transfers from Other Funds .....	3,670,488	-	3,670,488	3,670,488	-
Transfers to Other Funds .....	<u>(2,686,893)</u>	<u>-</u>	<u>(2,686,893)</u>	<u>(2,686,893)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES) .....	<u>983,595</u>	<u>-</u>	<u>983,595</u>	<u>983,595</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES .....	<u>\$ (1,479,497)</u>	<u>\$ 531,711</u>	<u>(947,786)</u>	<u>(947,786)</u>	<u>-</u>
Reserved for Debt Service, Beginning of Year .....			32,974,839	32,974,839	-
Reserved for Debt Service, End of Year .....			<u>(32,027,053)</u>	<u>(32,027,053)</u>	<u>-</u>
FUND BALANCE UNDESIGNATED, END OF YEAR .....			<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Notes to Financial Statements

# SAN DIEGO FACILITIES AND EQUIPMENT LEASING CORPORATION ANNUAL FINANCIAL REPORT

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL (BUDGETARY BASIS) - IMPROVEMENT (GENERAL) FUND Year Ended June 30, 2002

	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Budget	Variance - Favorable (Unfavorable)
REVENUES					
Earnings on Investments .....	\$ 294,891	\$ 73	\$ 294,964	\$ 294,964	\$ -
Lease Revenue.....	50	-	50	50	-
TOTAL REVENUES .....	294,941	73	295,014	295,014	-
EXPENDITURES					
Capital Projects .....	86,689,670	-	86,689,670	86,689,670	-
TOTAL EXPENDITURES .....	86,689,670	-	86,689,670	86,689,670	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES .....	(86,394,729)	73	(86,394,656)	(86,394,656)	-
OTHER FINANCING SOURCES (USES)					
Transfers to Other Funds .....	(983,595)	-	(983,595)	(983,595)	-
TOTAL OTHER FINANCING SOURCES (USES) .....	(983,595)	-	(983,595)	(983,595)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES .....	\$ (87,378,324)	\$ 73	(87,378,251)	(87,378,251)	-
Reserved for Encumbrances, Beginning of Year .....			62,210,907	62,210,907	-
Designated for Subsequent Years' Expenditures, Beginning of Year .....			25,186,136	25,186,136	-
Designated for Subsequent Years' Expenditures, End of Year .....			(18,792)	-	(18,792)
FUND BALANCE UNDESIGNATED, END OF YEAR .....			\$ -	\$ 18,792	\$ (18,792)

See Notes to Financial Statements

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2002**

**1. ORGANIZATION AND OPERATIONS**

The San Diego Facilities and Equipment Leasing Corporation (the "Corporation") was incorporated in January 1987. The Corporation was established as a non-profit organization to acquire and lease to the City of San Diego (the "City") real and personal property to be used in the municipal operations of the City.

Since the City exercises oversight responsibility over the Corporation, it is a component unit of the reporting entity of the City.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As of July 1, 2001, the Corporation adopted the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - For State and Local Governments; Statement No. 37, Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments; Omnibus; and Statement No. 38, Certain Financial Note Disclosures. This results in a change in the format and content of the basic financial statements.

The accounting policies of the Corporation conform to accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental units. The following is a summary of the more significant of such policies:

**a. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities and Changes in Net Assets) report information on all of the activities of the Corporation. Governmental activities are supported by contributions from the City of San Diego. The Corporation does not have business-type activities to separate from the governmental activities within the government-wide statements.

The Statement of Activities and Changes in Net Assets demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function.

Separate fund financial statements are provided for the governmental funds (i.e. Balance Sheet, Statement of Revenues, Expenditures and Changes in Fund Balance and the Budgetary Basis Statement of Revenues, Expenditures and Changes in Fund Balance).

**b. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recognized when the related fund liability is incurred except for principal and interest of general long-term debt which is recognized when due.

The following are the Corporation's Major Funds:



# SAN DIEGO FACILITIES AND EQUIPMENT LEASING CORPORATION ANNUAL FINANCIAL REPORT

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Improvement (General) Fund - The 1998 acquisition Improvement (General) Fund is a major fund. It is the general operating fund of the Corporation. It is used to account for all financial resources, except those required to be accounted for in another fund.

Bond (Debt Service) Funds - Series 1996A 1C Certificate of Participation and the Series 1998 Acquisition funds are major funds. They are used to account for the payment of long-term debt principal, interest and related costs in the 1996A 1C Certificate of Participation and the 1998 Acquisition funds.

Accounting and financial reporting which are similar to those often found in the private sector are followed in both the government-wide and fund financial statements. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Corporation adopts all applicable Financial Accounting Standards Board ("FASB") Statements and Interpretations issued on or before November 30, 1989, in accounting and reporting for its operations unless those pronouncements conflict with or contradict Governmental Accounting Standards Board ("GASB") pronouncements.

### c. Cash and Investments

At July 1, 1997, the City of San Diego adopted Government Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," which requires certain investments to be reported at fair value. At June 30, 2002, all such investments are presented at fair value.

### d. Budgets

Budgets are prepared by the City Manager on behalf of the Corporation for the Improvement (General) Fund and the Bond (Debt Service) Fund. Such budgets have been approved by the City Council in July of each fiscal year.

The budgets are prepared on the modified accrual basis of accounting, except that encumbrances outstanding at year-end are considered as expenditures in the Improvement (General) Fund. Budgetary control is generally maintained at the appropriations level.

The following schedule is a reconciliation of the budgetary and GAAP basis fund balances at June 30, 2002:

	Improvement (General) Fund
Fund Balance - Designated for subsequent years' expenditures	\$ 18,792
Fund Balance - GAAP Basis	<u>\$ 18,792</u>
	Bond (Debt Service) Fund
Fund Balance - Reserved for Debt Service	\$ 32,027,053
Designated for Unrealized Gains	<u>132,891</u>
Fund Balance - GAAP Basis	<u>\$ 32,159,944</u>

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

e. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the Improvement (General) Fund. Encumbrances outstanding at year-end are reported as reservations of fund balance since the commitments will be honored through subsequent years' continuing appropriations. Encumbrances do not constitute expenditures or liabilities in the GAAP basis financial statements.

f. Total Columns on Combined Statements

Amounts in the "Total - Memorandum Only" columns in the combined financial statements are presented to aggregate financial data. Data in these columns do not present financial position or results of operations in conformity with GAAP, nor is such data comparable to a consolidation.

**3. RECONCILIATION OF GOVERNMENT WIDE AND FUND FINANCIAL STATEMENTS**

- a. Explanation of certain differences between the governmental fund balance sheet and the government-wide Statement of Net Assets.

The government-wide Statement of Net Assets includes an adjustment column to reconcile Total Fund Balance - Governmental Funds to Total Net Assets - Governmental Activities. One adjustment is for Leases and Installment Purchases Receivable which are needed to support the repayment of long-term liabilities not received in the current period and therefore not reported in the fund financial statements. The details of this \$414,289,110 difference are as follows:

Leases Receivable	\$ 53,259,625
Lease Interest Receivable	492,948
Installment Purchase Receivable	352,845,564
Installment Purchase Agreement Interest Receivable	<u>7,690,973</u>
Net adjustment to increase Total Fund Balance - Governmental Funds to arrive at Total Net Assets - Governmental Activities	<u>\$414,289,110</u>

Another adjustment is for Long Term liabilities which are not due and payable in the current period and therefore are not reported in the funds. The details of this \$(441,653,921) difference are as follows:

Accrued Interest Payable	\$ (8,183,921)
Long-Term Debt Due Within One Year	(10,775,000)
Certificate of Participation Bonds Payable	(51,530,000)
Water Utility Bond	<u>(371,165,000)</u>
Net Adjustment to Decrease Total Fund Balance - Governmental Funds to arrive at Total Net Assets - Governmental Activities	<u>\$(441,653,921)</u>

# **SAN DIEGO FACILITIES AND EQUIPMENT LEASING CORPORATION ANNUAL FINANCIAL REPORT**

## **3. RECONCILIATION OF GOVERNMENT WIDE AND FUND FINANCIAL STATEMENTS (Continued)**

- b. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide Statement of Activities.

The government-wide Statement of Activities includes an adjustment for Revenue received for the payment of long-term debt principal which provided current financial resources to governmental funds. The transaction, however, has no effect on net assets. The details of this \$(10,265,000) difference are as follows:

Lease Revenue	\$ (3,485,000)
Installment Purchase Payment from the City of San Diego	<u>(6,780,000)</u>
Net Adjustment to decrease Net Changes in Fund Balances - Governmental Funds to Arrive at Changes in Net Assets-Governmental Activities	<u><u>\$(10,265,000)</u></u>

Another adjustment is for revenues reported in the statement of activities that do not represent a source of current financial resources and therefore are not accrued as revenues in governmental funds. The details of this (\$140,214) difference are as follows:

Lease Revenue	\$ (27,214)
Installment Purchase Payment from the City of San Diego	<u>(113,000)</u>
Net Adjustment to decrease Net Changes in Fund Balances - Governmental Funds to Arrive at Changes in Net Assets-Governmental Activities	<u><u>\$ (140,214)</u></u>

Another adjustment is for capital outlay expenditures. In the Statement of Activities, these costs are removed, no depreciation is shown as the assets do not belong to the Corporation. The details of this \$86,689,670 difference are as follows:

Capital Outlay	<u>\$ 86,689,670</u>
Net Adjustment to increase Net Changes in Fund Balances -Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	<u><u>\$ 86,689,670</u></u>

Another adjustment relates to the issuance of long-term debt which provides current financial resources to governmental funds, while the repayment of the principal consumes the current financial resources of governmental funds. This transaction, however, has no effect on net assets. The details of this \$10,265,000 difference are as follows:

Principal Repayments:	
Certificates of Participation	\$ 3,485,000
Certificates of Undivided Interest	<u>6,780,000</u>
Net adjustment to increase Net Changes in Fund Balances - Total Governmental Funds to arrive at Changes in Net Assets of Governmental Activities	<u><u>\$ 10,265,000</u></u>

### 3. RECONCILIATION OF GOVERNMENT WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Another adjustment is for expenses reported in the statement of activities that do not require the use of current financial resources and therefore are not accrued as expenses in governmental funds. The details of this \$140,214 difference are as follows:

Interest-Certificates of Participation	\$ 27,214
Interest-Certificates of Undivided Interest	<u>113,000</u>
Net adjustment to increase Net Changes in Fund Balances - Total	
Governmental Funds to arrive at Changes in Net Assets of Governmental Activities	<u>\$ 140,214</u>

### 4. CASH AND INVESTMENTS

#### a. Cash with Fiscal Agent

"Cash with Fiscal Agent" represents funds held by bank trustees on behalf of the Corporation for the purpose of holding and investing cash related to outstanding certificates of participation and certificates of undivided interest and of distributing principal and interest payments to debtholders. Cash is received from the City pursuant to a lease agreement and from earnings on investments.

#### b. Investments

Investments at June 30, 2002 consist of United States government securities, with a fair value of \$31,189,621. All such securities owned by the Corporation are held in safekeeping in the name of the Corporation by a third party trust department acting as agent for the Corporation under the terms of a custody agreement executed between the bank and the Corporation. This agreement provides, among other things, that the securities are to be held separate from the other assets of the bank.

#### c. Cash or Equity in Pooled Cash and Investments

Other cash resources of the Corporation are combined with cash resources of the City to form a pool of cash that is managed by the City Treasurer.

As provided for by the Government Code, the cash balance of substantially all City funds and certain entities are pooled and invested by the City Treasurer for the purpose of increasing interest earnings through investment activities. The Corporation's net share of the total pooled cash and investments is included in the accompanying combined balance sheet under the caption "Cash or Equity in Pooled Cash and Investments". Interest earned on pooled investments is deposited to certain of the participating City funds and entities, including the Corporation, based upon each fund's and each entity's average daily deposit balance during the allocation period with all remaining interest deposited to the City's General Fund.

The City may transact business only with banks, savings and loans, and investment securities dealers who are primary dealers regularly reporting to the New York Federal Reserve Bank. Exceptions to this rule can be made only upon written authorization of the City Treasurer. Authorized cash deposits and investments are governed by state law, as well as by the City's own written investment policy. Within the context of these limitations, permissible investments include (1) obligations of the U.S. government and federal agencies, (2) commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, (3) bankers' acceptances, (4) negotiable and/or non-negotiable certificates of deposit and non-negotiable time deposits issued by a nationally or state chartered bank or a state or federal savings and loan association, (5) repurchase and reverse repurchase agreements, (6) the local agency investment fund established by the state treasurer and (7) financial futures contracts in any of the other authorized investments which are used to offset an existing financial position and not for outright speculation.

#### 4. CASH AND INVESTMENTS (Continued)

Deposits and investments are generally exposed to two types of risk; credit risk and market risk. Credit risk is the risk that a governmental entity will not be able (a) to recover deposits if the depository financial institution fails or (b) to recover the value of investment collateral securities that are in the possession of an outside party if the counterparty to the investment or deposit transaction fails. Market risk is the risk that the value of an investment will decline.

In accordance with governmental reporting standards, the Corporation has classified its deposits and investments by categories of credit risk. Classification in category 1 indicates that the exposure of deposits and investments to potential credit risk is low. The level of potential credit risk is higher for deposits and investments classified in category 2, and highest for those in category 3.

Deposits may be categorized as follows: (1) Insured or collateralized with securities held by the entity or by its agent in the entity's name, (2) Collateralized with securities held by the pledging financial institution's trust department or agent in the entities name, (3) Uncollateralized.

Investments may be categorized as follows: (1) Insured or registered, with securities held by the entity or its agent in the entity's name, (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name, (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the entity's name.

Aggregate cash deposits and investments are as follows at June 30, 2002:

	<u>Total</u>
Cash or Equity in Pooled Cash and Investments	\$ 5,646,406
Investments (Fair Value)	31,189,621
Cash with Fiscal Agent	<u>3,270</u>
Total	<u>\$ 36,839,297</u>

Information pertaining to the City's cash and investment pool may be found in the City's Comprehensive Annual Financial Report.

The Corporation's deposits and investments as of June 30, 2002 subject to credit risk categorization are presented below:

	<u>Category</u>			<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
<u>Deposits</u>				
Insured	\$3,270	\$ -	\$ -	\$ 3,270
<u>Investments</u>				
U.S. Government Securities	<u>-</u>	<u>36,836,027</u>	<u>-</u>	<u>36,836,027</u>
Total Deposits and Investments	<u>\$3,270</u>	<u>\$36,836,027</u>	<u>\$ -</u>	<u>\$36,839,297</u>

#### 5. RECEIVABLES

The Corporation has an installment purchase agreement with the City for the acquisition, construction, installation, and improvement of its water system. The Corporation obtained financing for the project through the issuance of certificates of undivided interest (see Note 6) secured by installment payments made by the City to the Corporation. The City has pledged revenues from its water utility fund to finance these installment payments in an amount equal to the principal and interest requirements of the associated certificates of undivided interest. The total installment purchase receivables expected to be received within one year is \$25,372,236.

# SAN DIEGO FACILITIES AND EQUIPMENT LEASING CORPORATION ANNUAL FINANCIAL REPORT

## 5. RECEIVABLES (Continued)

The Corporation has a lease agreement with the City for the acquisition, construction and improvements of its facilities in Balboa Park and Mission Bay. The Corporation obtained financing for the project through the issuance of Certificates of Participation (see Note 6) secured by lease payments made by the City to the Corporation. The City has pledged legally available revenue in an amount equal to the principal and interest requirements of the associated Certificates of Participation. The total amount of leases receivable expected to be received within one year is \$6,587,740.

## 6. GENERAL LONG-TERM DEBT

General long-term debt consists of certificates of participation and certificates of undivided interest. A summary of these obligations recorded at June 30, 2002 is as follows:

<u>Type of Obligation</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Balance June 30, 2002</u>
Certificates of Participation, Issued November 1, 1993	5.0-6.0%	2024	\$ 27,985,000	\$ 19,800,000
Certificates of Participation, Issued August 1, 1996	4.0-5.6	2011	33,430,000	25,010,000
Certificates of Participation, Issued August 15, 1996	4.0-6.0	2022	11,720,000	10,440,000
Certificates of Undivided Interest, Issued August 1, 1998	4.0-4.75	2029	<u>385,000,000</u>	<u>378,220,000</u>
Total			<u>\$458,135,000</u>	<u>\$433,470,000</u>

The following is a summary of changes in general long-term debt for the year ended June 30, 2002:

	<u>Balance July 1, 2001</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2002</u>
Certificates of Participation	\$ 58,735,000	\$ -	\$ 3,485,000	\$ 55,250,000
Certificates of Undivided Interest	<u>385,000,000</u>	<u>-</u>	<u>6,780,000</u>	<u>378,220,000</u>
Total	<u>\$443,735,000</u>	<u>\$ -</u>	<u>\$10,265,000</u>	<u>\$433,470,000</u>

# **SAN DIEGO FACILITIES AND EQUIPMENT LEASING CORPORATION ANNUAL FINANCIAL REPORT**

## **6. GENERAL LONG-TERM DEBT (Continued)**

The annual requirements to amortize certificates of participation and certificates of undivided interest outstanding as of June 30, 2002, including interest payments to maturity, are as follows:

Year Ending <u>June 30,</u>	
2003	\$ 31,959,976
2004	32,028,334
2005	32,098,589
2006	32,103,814
2007	32,084,638
2008 - 2012	152,742,905
2013 - 2017	135,843,703
2018 - 2022	135,850,515
2023 - 2027	128,662,895
2028 - 2029	<u>50,747,263</u>
Total	764,122,632
Less - Amount representing interest	<u>(330,652,632)</u>
Total General Long-Term Debt	<u><u>\$433,470,000</u></u>

## **7. RESTATEMENT OF BEGINNING BALANCES**

As a result of changes in accounting policies and implementation of GASB No. 34, the fund balances and net assets as of June 30, 2001 have been restated as follows:

	Statement of <u>Activities</u>
Fund Balances/net assets, June 30, 2001, as previously reported	\$121,036,557
Adjustment	<u>(114,054,481)</u>
Fund Balances/net assets, June 30, 2001, as restated	<u><u>\$ 6,982,076</u></u>

\*\*\*



# CALDERON, JAHAM & OSBORN

AN ACCOUNTANCY CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Directors  
San Diego Facilities and Equipment  
Leasing Corporation  
San Diego, California

We have audited the component unit financial statements of the San Diego Facilities and Equipment Leasing Corporation (the "Corporation") as of and for the year ended June 30, 2002, and have issued our report thereon dated November 27, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the Corporation's component unit financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of component unit financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the component unit financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the component unit financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the Board of Directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

November 27, 2002

*Calderon, Jaham & Osborn*

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**S U P P L E M E N T A L   I N F O R M A T I O N**  
**(UNAUDITED)**

# SAN DIEGO FACILITIES AND EQUIPMENT LEASING CORPORATION ANNUAL FINANCIAL REPORT

## STATEMENT OF FUTURE DEBT REQUIREMENTS BY YEARS June 30, 2002

Year Ending June 30,	Series 1993 1B		Series 1996A 1C		Series 1996B 1A Refunding		Series 1998	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2003	\$ 1,300,000	\$ 1,019,825	\$ 2,130,000	\$ 1,260,793	\$ 290,000	\$ 587,123	\$ 7,055,000	\$ 18,317,236
2004	1,360,000	955,630	2,310,000	1,150,858	305,000	572,610	7,345,000	18,029,236
2005	1,425,000	886,685	2,500,000	1,030,608	325,000	556,860	7,645,000	17,729,436
2006	1,505,000	813,435	2,630,000	901,043	340,000	540,065	7,965,000	17,409,271
2007	1,575,000	734,860	2,765,000	762,088	355,000	522,165	8,305,000	17,065,525
2008	1,660,000	650,335	2,915,000	613,679	380,000	502,865	8,675,000	16,698,194
2009	1,750,000	560,385	3,075,000	454,135	395,000	482,130	9,065,000	16,307,914
2010	410,000	502,940	3,250,000	281,735	425,000	459,778	9,505,000	15,868,746
2011	430,000	480,260	3,435,000	96,180	445,000	435,630	10,005,000	15,365,239
2012	455,000	456,365	-	-	470,000	409,775	10,520,000	14,851,620
2013	480,000	430,640	-	-	505,000	381,861	11,065,000	14,306,554
2014	505,000	403,060	-	-	535,000	351,961	11,670,000	13,701,495
2015	535,000	373,940	-	-	570,000	320,050	12,305,000	13,065,146
2016	565,000	343,140	-	-	600,000	286,120	12,980,000	12,391,482
2017	600,000	310,520	-	-	640,000	250,160	13,670,000	11,702,573
2018	630,000	276,080	-	-	680,000	211,200	14,370,000	11,001,573
2019	665,000	239,820	-	-	720,000	169,200	15,105,000	10,264,698
2020	705,000	201,460	-	-	770,000	124,500	15,880,000	9,490,073
2021	745,000	160,860	-	-	820,000	76,800	16,695,000	8,675,698
2022	790,000	117,880	-	-	870,000	26,100	17,550,000	7,819,573
2023	830,000	72,520	-	-	-	-	18,470,000	6,900,606
2024	880,000	24,640	-	-	-	-	19,460,000	5,914,423
2025	-	-	-	-	-	-	20,470,000	4,899,800
2026	-	-	-	-	-	-	21,490,000	3,880,750
2027	-	-	-	-	-	-	22,535,000	2,835,156
2028	-	-	-	-	-	-	23,635,000	1,738,619
2029	-	-	-	-	-	-	24,785,000	588,644
	<u>\$ 19,800,000</u>	<u>\$ 10,015,280</u>	<u>\$ 25,010,000</u>	<u>\$ 6,551,119</u>	<u>\$ 10,440,000</u>	<u>\$ 7,266,954</u>	<u>\$ 378,220,000</u>	<u>\$ 306,819,279</u>

# SAN DIEGO FACILITIES AND EQUIPMENT LEASING CORPORATION ANNUAL FINANCIAL REPORT

Total All Bond Series		
Principal	Interest	Total
\$ 10,775,000	\$ 21,184,976	\$ 31,959,976
11,320,000	20,708,334	32,028,334
11,895,000	20,203,589	32,098,589
12,440,000	19,663,814	32,103,814
13,000,000	19,084,638	32,084,638
13,630,000	18,465,073	32,095,073
14,285,000	17,804,564	32,089,564
13,590,000	17,113,199	30,703,199
14,315,000	16,377,309	30,692,309
11,445,000	15,717,760	27,162,760
12,050,000	15,119,056	27,169,056
12,710,000	14,456,516	27,166,516
13,410,000	13,759,136	27,169,136
14,145,000	13,020,742	27,165,742
14,910,000	12,263,253	27,173,253
15,680,000	11,488,853	27,168,853
16,490,000	10,673,718	27,163,718
17,355,000	9,816,033	27,171,033
18,260,000	8,913,358	27,173,358
19,210,000	7,963,553	27,173,553
19,300,000	6,973,126	26,273,126
20,340,000	5,939,063	26,279,063
20,470,000	4,899,800	25,369,800
21,490,000	3,880,750	25,370,750
22,535,000	2,835,156	25,370,156
23,635,000	1,738,619	25,373,619
<u>24,785,000</u>	<u>588,644</u>	<u>25,373,644</u>
\$ <u>433,470,000</u>	\$ <u>330,652,632</u>	\$ <u>764,122,632</u>

# SAN DIEGO FACILITIES AND EQUIPMENT LEASING CORPORATION ANNUAL FINANCIAL REPORT

## STATEMENT OF LONG-TERM DEBT BY ISSUES June 30, 2002

### CERTIFICATES OF PARTICIPATION

Series 1993 1B, due November 1	Issued	Rate of Interest	Retired 2001-02	Outstanding
2001	\$ 1,240,000	5.40	\$ 1,240,000	\$ -
2002	1,300,000	5.50	-	1,300,000
2003	1,360,000	5.60	-	1,360,000
2004-2005	2,930,000	5.625	-	2,930,000
2006-2011	6,280,000	5.75	-	6,280,000
2012-2023	7,930,000	6.00	-	7,930,000

TOTAL SERIES 1993

CERTIFICATES ..... \$ 21,040,000 \$ 1,240,000 \$ 19,800,000

### Series 1996A 1C, due November 1

2001	\$ 1,965,000	4.75	\$ 1,965,000	\$ -
2002	2,130,000	4.90	-	2,130,000
2003-2004	4,810,000	5.00	-	4,810,000
2005	2,630,000	5.10	-	2,630,000
2006	2,765,000	5.20	-	2,765,000
2007	2,915,000	5.25	-	2,915,000
2008	3,075,000	5.40	-	3,075,000
2009	3,250,000	5.50	-	3,250,000
2010	3,435,000	5.60	-	3,435,000

TOTAL SERIES 1996A

CERTIFICATES ..... \$ 26,975,000 \$ 1,965,000 \$ 25,010,000

### Series 1996B 1A Refunding, due November 1

2001	\$ 280,000	4.50	\$ 280,000	\$ -
2002	290,000	4.75	-	290,000
2003-2004	630,000	5.00	-	630,000
2005	340,000	5.10	-	340,000
2006	355,000	5.20	-	355,000
2007	380,000	5.30	-	380,000
2008	395,000	5.40	-	395,000
2009	425,000	5.50	-	425,000
2010	445,000	5.60	-	445,000
2011	470,000	5.70	-	470,000
2012-2013	1,040,000	5.75	-	1,040,000
2014-2016	1,810,000	5.80	-	1,810,000
2017-2021	3,860,000	6.00	-	3,860,000

TOTAL SERIES 1996B Refunding

CERTIFICATES ..... \$ 10,720,000 \$ 280,000 \$ 10,440,000

# SAN DIEGO FACILITIES AND EQUIPMENT LEASING CORPORATION ANNUAL FINANCIAL REPORT

## STATEMENT OF LONG-TERM DEBT BY ISSUES June 30, 2002

### CERTIFICATES OF UNDIVIDED INTEREST

<u>Series 1998, due August 1</u>	<u>Issued</u>	<u>Rate of Interest</u>	<u>Retired 2001-02</u>	<u>Outstanding</u>
2001	\$ 6,780,000	4.00	\$ 6,780,000	\$ -
2002	7,055,000	4.00	-	7,055,000
2003	7,345,000	4.00	-	7,345,000
2004	7,645,000	4.00	-	7,645,000
2005	7,965,000	4.20	-	7,965,000
2006	8,305,000	4.25	-	8,305,000
2007	8,675,000	4.40	-	8,675,000
2008	9,065,000	4.40	-	9,065,000
2009	2,605,000	4.50	-	2,605,000
2009	6,900,000	5.25	-	6,900,000
2010	1,320,000	4.60	-	1,320,000
2010	8,685,000	5.375	-	8,685,000
2011	10,520,000	4.75	-	10,520,000
2012	750,000	4.80	-	750,000
2012	10,315,000	5.375	-	10,315,000
2013	1,515,000	4.875	-	1,515,000
2013	10,155,000	5.375	-	10,155,000
2014	1,765,000	4.90	-	1,765,000
2014	10,540,000	5.375	-	10,540,000
2015	895,000	5.00	-	895,000
2015	12,085,000	5.375	-	12,085,000
2016	13,670,000	5.00	-	13,670,000
2017	14,370,000	5.00	-	14,370,000
2018	15,105,000	5.00	-	15,105,000
2019-2021	50,125,000	5.00	-	50,125,000
2022-2024	58,400,000	5.20	-	58,400,000
2025-2028	92,445,000	4.75	-	92,445,000
TOTAL SERIES 1998 CERTIFICATES .....	<u>385,000,000</u>		<u>6,780,000</u>	<u>378,220,000</u>
TOTAL CORPORATION CERTIFICATES .....	<u>\$ 443,735,000</u>		<u>\$ 10,265,000</u>	<u>\$ 433,470,000</u>

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